



To: VITA Sites Interested in Participating in Savings Bond Research

From: D2D Fund, Inc.

Date: July 10, 2007

RE: Further Research on U.S. Savings Bonds; Request for Proposal from VITA Sites

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As you know, encouraging saving and asset building at tax time is challenging. In an ongoing effort to find new ways to meet this challenge, D2D Fund and partners tested U.S. Savings Bonds – combined with the new IRS split refund capability – as a saving strategy for VITA tax clients during tax season 2007. The results were encouraging. For this reason D2D is planning a second savings bond pilot in tax season 2008 and seeking tax sites that are interested in participating.

## I) Background

Tax Season 2007. In TS07 D2D worked with five VITA sites<sup>1</sup> to offer U.S. Series I Savings Bonds as a savings instrument to low-income tax refund recipients. Among the key findings:

- *People want bonds* – over 300 tax clients bought nearly 500 savings bonds, with take up rates between 6.0% and 9.6%; these rates compare favorably with other saving products – for instance, in one study between 1.9% and 3.5% of eligible tax filers opened IRAs.
- *Gifting bonds is popular* – the ease with which bonds may be given as gifts may be unique; indeed, 84% of bonds purchased in the TS07 study were for someone other than tax filers, mostly their children or grandchildren
- *Awareness of bonds is very high* – nearly 75% of both bond purchasers and a sample of non-purchasers reported they were aware of savings bonds prior to their tax appointment, an extraordinary awareness level for a product that has had no marketing since 2003.
- *Bonds may help people start saving* – 56% of bond purchasers reported no other savings; among those with other savings, 52% had less than \$1,000 saved elsewhere. With bonds available for just \$50, they may offer a unique opportunity for people to begin saving.

Why Bonds? Several compelling savings bond features may help explain these results, including:

- Easy entry - low \$50 minimum to buy a bond
- Good return - 4.52% in TS '07, with *no fees* to buy or redeem
- Universal - no required credit check (e.g., ChexSystems), only an SSN is required to buy
- Credible – backed by the full faith and credit of the U.S. Government
- Well known – have a colorful history and very high awareness
- Long-term in nature – must hold for at least 1 year and pay interest for 30 years
- Gift-able – may easily be purchased for others

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<sup>1</sup> Baltimore CASH, Boston EITC Campaign, Denver Asset Building Coalition, FoodChange and CAPTC.

Long Term Vision. In the 1960s tax filers could choose to receive their refund in the form of savings bonds. Today, with the advent of IRS Form 8888, tax filers can apply just a portion of any refund to saving. Including an option to buy savings bonds in the tax filing process – mostly likely on Form 8888 – could help make saving at tax time easy and natural for millions of low income refund recipients. D2D plans to use the results of its TS07, TS08 and future pilots to refine and advance this policy proposal.

Open Questions. Despite the encouraging TS07 results important questions remain, including:

- Why is gifting bonds so popular? What dynamic is underway in this saving activity?
- How long will buyers hold their bonds? When redeemed, what will bonds be used for?
- How best to train and motivate tax preparers and others to promote saving at tax time?
- Will bond buyers continue to save in future tax seasons?
- Are bonds a good fit for unbanked savers?
- How can we most effectively market bonds?
- How can many more VITA sites and other tax preparers offer bonds to their clients?

## II) Tax Season 2008

Objectives. For the R2A-5 pilot, D2D will focus on four overarching objectives. We aim to:

- 1) *Test the findings of the TS 07 pilot*, especially take up rates. Where possible, study take up rates for savings bonds in comparison to other savings products offered at tax sites (e.g., savings accounts).
- 2) *Improve savings bond order processing, volunteer training and marketing.* Test ways to broaden access to, and improve the efficiency of, bond offerings at VITA sites, including a new web-based tool to collect savings bond orders, innovative ways to train tax site staff (e.g., expanded use of Computer Based Training), and approaches to market bonds.
- 3) *Better understand who buys bonds and why.* Learn more about what motivates people to give bonds as gifts and what preferences they have for how to do so; possibly study if bonds are particularly appealing to unbanked tax clients, and if bonds in any way encourage repeat saving year after year.
- 4) *Better understand what impact bonds have.* Lay a foundation to study how long bonds are held until redemption, what the proceeds of redemptions are used for and if bonds have a special role to play in encouraging first time saving.

Time Frame. R2A-5 will run from the opening of the 2008 Tax Season through March of 2008, with sites asked to offer bonds for at least the first six weeks of tax season.

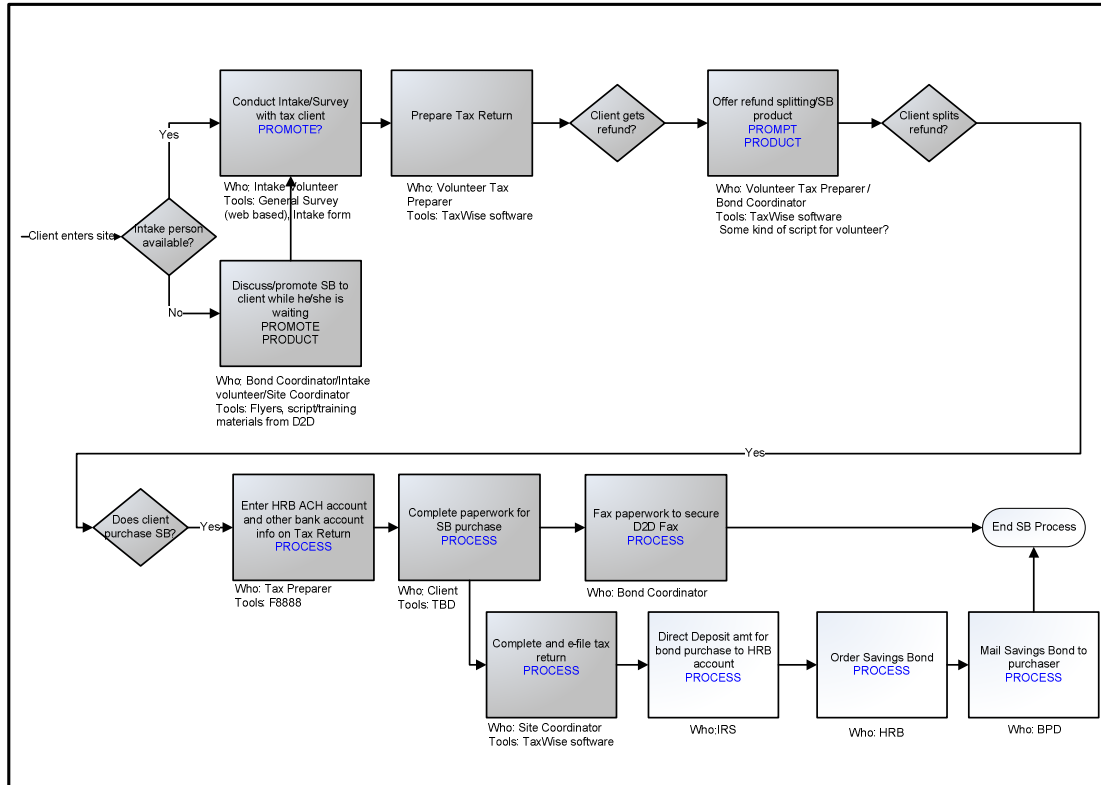
How Will Bond Sales Work? The diagram below illustrates steps in the tax preparation and bond offer process, paying particular attention to 4 key components of a tax time savings initiative:<sup>2</sup>

- 1) *Promotion* – D2D will provide sites with marketing materials to use in promoting bonds at the tax site, as well as guidance on training site staff in saving and bond promotion.
- 2) *Prompting* – bond coordinators, tax preparers and other site staff will ask clients about saving and bonds, both before and during tax preparation.

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<sup>2</sup> Shaded boxes show activities that take place at the VITA site; un-shaded boxes show activities that take place with external partners or organizations).

- 3) *Product* – in this pilot we will offer Series I U.S. Savings Bonds delivered in paper form.
- 4) *Processing* – tax preparers will complete bond orders via a special web site, will obtain client signatures, and will enter a bond purchase account number and RTN on IRS Form 8888 to ensure a portion of clients’ refunds are sent to H&R Block Bank. Once refunds are received, Block Bank will submit bond orders to the Bureau of Public Debt, which will mail bonds to tax clients. Tax preparers and/or bond coordinators will collect client survey data and submit it through a website survey tool.



**Evaluation & Research.** Pilot sites will be asked to support the research objectives for the pilot by collecting surveys from bond purchasers, a sample of non-purchasers and from tax preparers. D2D will use a web-based survey tool (e.g., Survey Monkey, Zoomerang) to collect survey data from sites. Tax preparers and/or bond coordinators will be asked to enter survey data in the chosen web site – not tax clients themselves. In addition, sites will be asked to maintain a simple calendar of when bonds are offered during tax season and to provide anonymous tax preparation software data for take up rate calculations and comparisons of purchasers and non-purchasers. Interested sites choose to help with post tax-season surveys of bond purchasers.

### III) VITA Site TS08 Participation

**Site Requirements.** In order to be a good fit for the TS08 bond pilot, interested VITA sponsoring organizations should have the following characteristics:

1. *Demonstrated operational capacity* – at least 2 successful consecutive tax seasons with significant client volume of 800 or more returns prepared at one location. Preference given to sites with a consistent location in their community and leadership that has been in place for two or more tax seasons.

2. *Asset building orientation* – organizations with a stated mission to promote saving and asset building, and a track record of work in this area (e.g., on-site bank product offers)
3. *Staffing commitment* – ability to employ a dedicated “bond coordinator” before and during tax season to motivate and support tax preparers, promote bonds to tax clients, and act as project point person for activities such as order processing and data gathering.
4. *Volunteer training commitment* – willingness to train tax preparers to discuss saving at tax time with clients and offer savings bonds to all eligible refund recipients. Preference given to organizations that integrate this training into their mainstream volunteer and site manager training rather than consider it an “add on” or optional extra.
5. *Tax season timing* – the VITA sponsor must commit to offer savings bonds from the beginning of the tax season and consistently thereafter for at least six weeks.
6. *Required technology* – prospective pilot tax sites must have Internet access at each tax preparer workstation, an on-site fax and photocopier machine, and the ability to store original signed documents securely throughout tax season.

D2D Roles & Responsibilities. To support R2A-5 pilot sites D2D will provide the following:

- *Project management & evaluation* – overall leadership for the project, coordination and information sharing among test sites and with H&R Block, and pilot evaluation.
- *Savings bond order web site* – a new web-based tool to collect savings bond orders and client authorizations.
- *Marketing* – assistance in marketing savings bonds to clients; sample materials (posters, brochures, leaflets) for 2008 tax season
- *Training support* – help in designing and implementing training for tax preparers on how to discuss saving at tax time with tax clients, on U.S. Savings Bonds and how to offer them to clients, and on how to use the savings bond order web site.
- *Troubleshooting* – help resolving issues or concerns that arise from sites related to bond order processing
- *Funding* – modest financial support to offset the costs of serving as an R2A-5 test site.

VITA Site Roles & Responsibilities. R2A-5 pilot sites will be asked to:

Before tax season

- *Legal agreements* – execute a contract with D2D regarding the terms of pilot participation (expectations, funding, liability, etc.).
- *Select Bond Coordinator* – select an individual to be responsible for on site bond promotion, bond order processing and general program oversight during the offering period; Coordinator should be motivated, detailed oriented and a good salesperson.
- *Volunteer training* – work with D2D to incorporate “how to” and motivational material on saving at tax time and savings bonds into tax preparer training; deliver training to all tax preparers and appropriate other site staff prior to tax season.
- *Tax season preparation* – learn procedures for bond order processing, customer service and evaluation data collection; participate in regular conference calls before tax season and during (as need warrants) for project updates, to share ideas and provide feedback.

During tax season

- *Tax-site staffing* – ensure savings bond coordinator or fully trained substitute is on-site during all hours savings bonds are available, to promote bonds, answer tax preparer and client questions and ensure data / paperwork, collection and transmission.
- *Marketing* – promote savings bonds are presented to clients in small group or one-on-one “pitches” and by distribution of marketing material.

- *Paperwork & quality control* – ensure client bond orders, evaluation authorizations, survey and any other paperwork or web submission are correctly completed and entered in a tracking spreadsheet; conduct a “quality control” review on all bond orders, surveys and client 1040s.
- *Support evaluation & research* – ensure evaluation surveys are collected from bond purchasers, a sample of non-purchasers and tax preparers.
- *Problem resolution* – work with D2D to resolve any client inquiries or other issues that arise in connection with the bond offering (e.g., missing bonds, IRS offsets, etc.).

After tax season

- *Evaluation, wrap up and follow-up* – obtain and provide anonymous tax client data to D2D, provide feedback on client related and process issues and work with D2D to finalize any open issues (e.g., clients whose refunds have not yet arrived). Participate in final group conference call and, possibly, review draft conclusion document and help survey bond purchasers after tax season.
- *Participation in quarterly Savings Bond Advisory Group calls* – as envisioned, these conference calls will review policy and procedural issues that arise from VITA site and other research. The objective will be to learn more about bonds as a savings tool for LMI households as well as consider strategies to build awareness in larger audience.

#### IV) Next Steps

Process & Timeline. We plan to identify partner TS08 test sites by August 31, 2007 using a timeline as follows:

- July 9 – distribution of RFP
- July – ongoing dialog with interested sites
- August 3 – written reply to RFP due to D2D
- August – follow up calls with interested sites
- August 31 – sites finalized, notified
- September – first project call
- October 1 – in-person project meeting at NCTC conference, Denver
- October – planning calls continue

Responding to this RFP. If your organization is interested in participating in the TS08 pilot, please respond to the questions below **by Friday, August 3, 2007** in an email addressed to [info@d2dfund.org](mailto:info@d2dfund.org). Please feel free to contact Tim Flacke ([tflacke@d2dfund.org](mailto:tflacke@d2dfund.org) / 617.541.9064) or Preeti Mehta ([pmehta@d2dfund.org](mailto:pmehta@d2dfund.org) / 617.541.9066) before this date with questions or to talk through any of the material in this memo.

- 1) *Organization & site(s)* – name of your organization (web site, if any), designated contact person, and name / location of tax site or sites where you propose to offer bonds in TS08.
- 2) *Operational capacity* – number of years the proposed site(s) has been in its present location, approximate number of clients served in TS07, and approximate number of tax preparation workstations anticipated for TS08.
- 3) *Asset building orientation* – what other (if any) financial service products did you offer in TS07 (and with what results) or do you plan to offer in TS08 at the proposed site? What interest and capability does your organization have to participate in a Saving Bond Policy Advisory Group (likely consisting of quarterly conference calls)?

- 4) *Staffing plan* – can your site meet the staffing requirement to employ a bond coordinator prior to and during TS08? Do you have an individual in mind for this position and what is his or her background, if you do?
- 5) *Volunteer training plan* – how do you conduct tax preparer training and how might you integrate saving at tax time and U.S. Savings Bonds in to that training? Can you provide a setting for volunteers to use Computer Based Training (internet-enabled computers)?
- 6) *Tax season timing* – could the proposed site(s) begin offering savings bonds from its opening date and for at least six weeks thereafter? What is the schedule (days per week and hours) you anticipate for this site(s) for TS08?
- 7) *Required technology* – does the proposed site run TaxWise, have internet access at each tax preparation workstation, have (or can get) a fax machine, photocopier and secure means to store original signed documents?

Feel free to provide any other comments or questions.

Thank you for your interest in supporting this important work. Through our work with VITA sites we have come to believe savings bonds may be a powerful tool to encourage saving by low-income tax clients. Your participation can help us refine our early findings and, potentially, develop and advance policy that could impact millions of hard working, low-income families.